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ABSTRACT

The document clarifies an originally proposed program to provide Statewide funding for public elementary and secondary education in Rhode Island by reviewing, stepwise, the actual operation of the plan for establishing tax levies and determining grant allocations; examines the anticipated effects of this proposed plan on the tax rates in individual districts and of individual families; and raises many of the issues that must be resolved before the proposal can be considered for implementation. However, the presentation does not include the rationale from which the original plan developed. The document also describes the present State-aid program in Rhode Island. (Author/DN)

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U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

A SECOND STEP TOWARD STATEWIDE FUNDING FOR RHODE ISLAND'S PUBLIC SCHOOLS

RHODE ISLAND DEPARTMENT OF EDUCATION
DIVISION OF RESEARCH, PLANNING AND EVALUATION

MARCH 10, 1972

EA 005 551

INTRODUCTION

As you are aware, a bold and innovative proposal has been advanced for providing statewide funding for public elementary and secondary education in Rhode Island. The purpose of proposing this neophyte plan was to provide a framework for discussion, with the hope that this discourse will climax in the production of a new and improved financing system for the public schools in Rhode Island. This document has been prepared to provide added relevant information for stoking the furnace of discussion. The readers indulgence is asked in that this is not a finished product, but only another state of development towards that product. Read and react, make your feelings known; your input is a significant factor in increasing the chances of reaching the ultimate goal:

As an adjunct to the original proposal, this document has these objectives:

1. To clarify the original proposal by reviewing, stepwise, the actual operation of the plan for establishing tax levies and determining grant allocations.
2. To examine the anticipated effects of the proposed statewide funding plan on the tax rates in individual districts and on individual families.
3. To raise many of the issues which must be resolved before the proposal can be considered for implementation.

This presentation does not include the rationale from which the original plan developed. For this discussion the reader is referred to Commissioner Burke's speech, Some Tentative Pro-

posals for the Finances and Management of Education in Rhode Island, which treats this issue in depth.

PRESENT STATE AID PROGRAM

The replacement of the twelve separate types of state aid payments to the local communities by a single comprehensive program in 1960 was a move which strengthened the dual responsibility of the state and local governments as partners in the business of providing education. The present state aid program which is of the percentage equalization type, employs a formula to determine what share the state will pay of locally determined educational expenditures. The share is essentially based upon the comparative ratio of the per pupil wealth in the district against the per pupil wealth of the state, which is coupled with the agreed upon ratio for the average level of spending by local districts. Adding transportation costs as a separate item and allowing extra credit for districts with sparse population complicates the interpretation of the formula.

Leaving these factors aside, the general form of the Rhode Island formula appears thusly -

$$\text{Share Ratio} = 1 - 0.65 \frac{\frac{\text{ewav}}{\text{radm}}}{\frac{\text{EWAV}}{\text{RADM}}}$$

where the 0.65 factor represents the apporximate average share of school expenditures paid by the local districts; ewav and EWAV are the equalized weighted assessed valuation adjusted for median family income for the district and the state respectively; and radm and RADM are the resident average daily membership for the district and state.

The share ratio, so determined, is multiplied times the recognized school expenditures for the previous year without limit

or ceiling to calculate the district entitlement paid by the state.

As an illustration of the operation of the formula, consider the following example for a district which will be referred to as Community X.

Example

$$\text{Share Ratio for Community X} = 1 - 0.65 \times \frac{\frac{\$\ 157,827,559}{6,059}}{\frac{\$3,788,233,820}{171,599}}$$

$$= 0.4486$$

$$\text{State Share Entitlement for Community X} = \text{Share Ratio} \times \text{Net Resident Experse}$$

$$= 0.4486 \times \$3,864,097 = \$1,733,550$$

Community X receives from the state a reimbursement of 44.86 percent of the net resident expenditures for the previous year or $1,733,550, payable in two equal installments.

The formula, as conceived, theoretically allocates state funds in inverse proportion to the ability of the districts' taxpayers to pay. However, the inclusion in the law of a provision which guarantees each district a minimum share ratio of 30 percent, regardless of wealth, diminishes the equalization aspect of the formula. Allowing each district to establish the level of spending deemed necessary to adequately meet educational needs also leads to disparities between communities.

Although Rhode Island's present plan has for years proven to be more satisfactory than the plans for many other states in terms of equalization, further improvements are possible. By

enjoying a favorable position, the state has time to carefully consider the implications and ramification of any contemplated changes without the immediate pressure of complying with court directives for improvement. However, the state must not remain complacent and content with its present system. It behooves us to move thoughtfully toward a more equitable school funding program. Just as Rhode Island has in the past been a leader in educational financing, it should once again assume this leadership role.

PROPOSED PLAN FOR STATEWIDE FUNDING

As the reader is undoubtedly aware, a proposal has been made for drastically altering the present system of securing and allocating funds for financing public school operations in Rhode Island. The purpose behind suggesting this plan in its embryonic state of development, well before it was formalized into an unchangeable course of action, was to mobilize educational leaders and the interested public into participating in evolving the most equitable plan feasible. The major components of the proposal provide a structure upon which discussion can commence and from which the final system can be developed.

The proposed plan is aimed at meeting three desirable goals:

1. To provide equal educational opportunities to all pupils with similar characteristics and needs.
2. To achieve fiscal neutrality in the collection of revenues.
3. To maintain all decision-making authority at the lowest level of management able to resolve the question.

To best achieve these goals, a proposal based upon the concept of statewide collection and distribution of revenues for education has been suggested. The essential elements of the revenue collection aspects of the initial plan include the redistribution of the revenue burden from the regressive local property tax to the more progressive income tax and the setting of a uniform statewide property tax rate for education. The distribution side of the plan includes the allocation of funds

with dollar preferences for specific types of pupils, the implementation of a single statewide professional salary and benefit schedule, and the initiation of a statewide transportation system.

The suggested aspects of the plan closely parallel the recommendation recently made by the President's Commission on School Finance. The major recommendation of the commission was that states assume a more substantial share of the costs of paying for public schools, in order to eliminate the gap between the amount spent per pupil in wealthy and poor districts.

The original provision for redistributing the tax burden was for a 50-50 sharing between the property tax and the gross income tax to provide the funds required to support public elementary and secondary education, exclusive of federal contributions. A modification of the plan examines the result of shifting the tax burden still further by having the state non-property tax fund sixty percent of the educational costs. The results of both sharing plans will be discussed and the effects of each explored.

To fully understand the operation of the proposed revised structure for financing public school education, it may be helpful to systematically examine the actual steps undertaken to arrive at the figures which have been quoted in the initial presentation of the plan. The following calculations exemplify the technique used to compute the revenue side of the proposal.

To determine the statewide property tax necessary to raise fifty percent of the funds required by the proposed plan, the

following information is needed.

Full valuation of property in Rhode Island as of Dec. 1969	=	$6,661,364,492
Total expenditure for proposed plan if in operation (1970-71)		158,146,122
Fifty percent of total expenditures for proposed plan		79,073,061

To calculate the tax levy required on the full valuation of property to raise the desired amount, $79,073,061 was divided by $6,661,364,492 and the quotient reported in tax rate per thousand dollars. The value was computed as $11.87/$1000 and represents the uniform tax rate necessary to raise fifty percent of the public school operating costs for 1970-71 under the proposed plan.

To determine the statewide income tax levy on the federal income tax payments necessary to raise an equivalent amount, the estimated federal income tax paid by Rhode Islanders in 1970-71 was divided into the $79,073,061 which must be raised. The resulting figure expressed as a percent (twenty percent) represents the piggy-back tax required to support fifty percent of the education costs under the proposed plan for 1970-71.

In examining the distribution side, the calculations are best understood in terms of the grant made to an individual district. In order to focus on the determination rather than the effect on a particular community, Community X again was used.

One aspect of the proposed distribution plan is the implementation of a statewide salary and benefit schedule for all professional employees. A significant proportion of all school budgets goes toward paying compensation costs for professional

employees. Equal payment for equally well trained and experienced teachers is vitally essential if even token equalization is to be realized. The proposal of a uniform single statewide salary schedule perhaps raises more questions than it answers, but none the less the problem must be faced. Some of these problems, such as the establishment of teacher-pupil ratios, will be considered later in this document.

Community X paid $3,380,574 for salaries and benefit costs in 1970-71. Information from the Teacher Salary Study indicates a necessitated average rise of 9.1 percent in salaries and benefit costs in the state, if a statewide uniform scale, approximating the salaries in the highest paying district, was adopted. In Community X, however, an increase of eleven percent is required to meet the new salary schedule. An allocation of $3,765,959 is needed to pay the professional staff.

Transportation costs, even though assumed by the state, were added into the allocation for comparative purposes. Community X's expenditures for transportation in 1970-71 amounted to $231,196, and it is assumed that the statewide transportation system could provide the same or improved service at an equivalent cost.

Aside from the expenditures for professional compensation and transportation, the other monies for district school operations would be distributed on a grant per pupil basis. Recognizing that per pupil costs are different for specific pupil types, the distribution model should <u>not</u> be locked into an equal dollar per pupil formula. Pupils with similar characteristics and needs should be accorded the same financial treatment, regardless of the

district in which they attend school.

As a first approximation of the differential needs of specific student types, the results from the National Education Finance Project were utilized. The designated pupil types used by the Project were the same ones on which pupil counts have been made in Rhode Island.

Based upon current practices of pupil-teacher ratios, of operating costs, and of capital outlay costs, the Project developed financial differentials of need which were expressed in terms of ratios. Thus, taking elementary pupils as a count of 1.00, it was found that the average costs for a junior high pupil was 1.20, senior high 1.40, and so forth. Lack of similar data for Rhode Island lead to the preliminary adoption of these national values in the proposed plan. The application of the ratios or weighting as an expression of pupils financial needs is known as the "weighted pupil" technique. To illustrate the operation of the technique, consider once again Community X. In the table below, the pupil types are specified, the weightings to be used indicated, and by simple multiplication the weighted pupil count was generated. The pupil counts enclosed in parentheses represent pupils also counted in another category. The plus signs in the weightings indicate these weightings are in addition to the weighting attributed to the other category. For example: a compensatory student* who is a senior high pupil; the weighting for this pupil is 1.00 for being classified compensatory plus 1.40 for being senior high, or a total weighting of 2.40.

* Compensatory students were defined as those students counted as Title I students.

Weighted Pupil Count

Community X

Pupil Types	Pupil Count (ADM)	Weightings	Weighted Pupil Count
Kindergarten	288	1.30	374
Elementary	4,341	1.00	4,341
Senior High	1,828	1.40	2,559
Special Ed.	(71)	+1.50	107
Compensatory	(260)	+1.00	260
Vocational	130	1.80	234
Total	6,387		7,875

To maintain spending at approximately the same level* for the state as the actual 1970-71 expenditures, excluding the increase for the conversion to the single salary schedule, a grant of $140 per weighted pupil would be required. Application of this grant to the 7,875 pupils in Community X yields an allocation of $1,102,500 to support all the expenses of school operations with the exception of professional compensation and transportation. The total grant for Community X under the statewide funding plan would be the additive sum of the weighted pupil grant, professional salaries and benefits grant, and transportation grant.

Community X - Statewide Funding by Grant	
Weighted Pupil Grant	$1,102,500
Professional Salaries and Benefits	3,365,159
Transportation	231,196
Total Grant	$4,699,855

As a basis for comparison, the calculated grant allocation for Community X under the proposal was related to the expenses under the present system. For Community X an increase in expenditures of 12 percent results under the new plan, most of which is attributable to the increase in salaries.

Community X - Distribution Comparison of Plans	
Total Grant from Proposal	$4,699,855
State-Local Expenditures 1970-71	4,543,831
Percent Increase of Grant over 1970-71 Expenditures	12%

* School debt is not included in these figures.

The same procedure outlined with Community X as the example was computerized to calculate the distribution grants due each district under the proposed plan. These grants were compared with the actual state and local expenditures in the districts for 1970-71. The results of this analysis appear in Table I.

The total increase in public school spending resulting from the implementation of this proposed statewide funding plan is seven percent, with a range among districts from a 7 percent decrease to a 35 percent increase. The problems inherent in such drastic changes are obvious, and possible methods of alleviating the impact of the change from one plan to the other will be discussed in a later section. It is apparent, however, that some redistribution of funds must occur if the objective of equal education opportunity is to be realized.

For the revenue side of the picture for Community X, the following summary shows the effect of the proposal.

Community X - Revenue
Comparison of Plans

Local Expenditures 1970-71	$ 2,752,000
Full Valuation of Property 12/1969	$192,874,000
Effective Property Tax Rate for Education 1970-71	$14.27/$1000
Statewide Property Tax Rate for Education	$11.87/$1000
Percentage Decrease in Property Tax Rate	2.4%

The comparable values for the effective tax rates for the forty Rhode Island districts appear in Table II. Great disparities emerge between the districts in how they are helped or

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Rhode Island Public Schools

-- Errata Sheet --

A preliminary error in recording the 1970-71 teacher salary costs for Barrington, necessitates changes for the figures in Table I. Please make these corrections.

	State-Local Expenditure 1970-71	Proposed Statewide Funding Allocation	Difference Statewide 1970-71 Plan	Percent Difference
Barrington	$ 4,299	$ 4,356	$ 57	1 %

This change effects the total sum of funds distributed for education under the statewide funding plan, however, except for Barrington, these differences represent less than a one percent change over the figures listed throughout the remainder of the document.

April 7, 1972
Research, Planning and Evaluation

TABLE I

Comparison of Distribution of Funds for School Operations to School Districts under Present System and Statewide Funding Plan

District	State-Local Expenditures 1970-71 *	Proposed Statewide Funding Allocation *	Difference Statewide - 1970-71 Plan *	Percent Difference
Barrington	$ 4,299	$ 4,356	$ 57	1
Bristol	3,006	3,146	139	5
Burrillville	1,669	1,895	227	14
Central Falls	1,497	1,801	304	20
Charlestown Elem.	346	368	22	6
Coventry	4,683	5,305	622	13
Cranston	11,625	12,624	999	9
Cumberland	4,544	5,100	556	12
East Greenwich	2,458	2,716	258	11
East Providence	6,946	7,557	611	9
Foster Elem.	360	359	- 1	-
Glocester Elem.	457	502	45	10
Hopkinton Elem.	661	682	22	3
Jamestown	342	394	52	15
Johnston	3,387	3,684	297	9
Lincoln	2,696	2,963	268	10
Little Compton	285	309	23	8
Middletown	3,340	4,186	846	25
Narragansett	985	989	4	0
Newport	5,201	6,263	1,061	20
New Shoreham	107	100	- 7	- 7
North Kingstown	4,130	5,584	1,454	35
North Providence	3,488	3,739	251	7
North Smithfield	1,705	1,786	81	5
Pawtucket	9,133	10,161	1,028	11
Portsmouth	2,890	3,279	389	13
Providence	25,229	24,409	- 820	- 3
Richmond Elem.	346	363	17	5
Scituate	1,508	1,604	96	6
Smithfield	2,556	2,599	43	2
South Kingstown	2,838	2,905	67	2
Tiverton	2,136	2,295	160	7
Warren	1,887	2,003	117	6
Warwick	15,594	16,727	1,133	7
Westerly	3,153	3,332	178	6
West Warwick	2,977	3,431	455	15
Woonsocket	6,008	6,268	260	4
Exeter-W.Greenwich	751	790	39	5
Chariho	1,357	1,367	10	1
Foster-Glocester	1,268	1,301	34	3
State	$147,849	$158,198	$10,350	7

* Values expressed to nearest thousand dollars

TABLE II

Comparison of Effective Tax Rates for School Operations in School Districts under Present Plan and Proposed Statewide Funding (50-50 Sharing)

District	Effective Tax Rate 1970-71 (per $1000)	Difference Statewide * - 1970-71 Rate (per $1000)	Percent Difference
Barrington	$19.48	$-7.61	-64
Bristol	16.96	-5.08	-43
Burrillville	15.12	-3.25	-27
Central Falls	11.41	.46	4
Charlestown Elem.	17.87	-6.00	-51
Coventry	16.08	-4.21	-35
Cranston	15.87	-4.00	-34
Cumberland	14.27	-2.39	-20
East Greenwich	18.02	-6.14	-52
East Providence	14.87	-2.99	-25
Foster Elem.	16.86	-4.98	-42
Glocester Elem.	14.17	-2.30	-19
Hopkinton Elem.	12.20	- .33	- 3
Jamestown	10.91	.96	8
Johnston	13.60	-1.72	-15
Lincoln	13.17	-1.30	-11
Little Compton	7.26	4.60	39
Middletown	14.26	-2.39	-20
Narragansett	9.36	2.51	21
Newport	15.34	-3.46	-29
New Shoreham	3.05	8.82	74
North Kingstown	12.07	- .20	- 2
North Providence	15.95	-4.07	-34
North Smithfield	16.63	-4.76	-40
Pawtucket	12.34	- .46	- 4
Portsmouth	14.53	-2.66	-22
Providence	13.19	-1.32	-11
Richmond Elem.	11.14	.72	6
Scituate	11.55	.32	3
Smithfield	16.10	-4.22	-36
South Kingstown	14.28	-2.40	-20
Tiverton	15.20	-3.32	-28
Warren	12.93	-1.06	- 9
Warwick	14.90	-3.02	-25
Westerly	14.02	-2.15	-18
West Warwick	13.98	-2.10	-18
Woonsocket	15.53	-3.66	-31
Exeter-W.Greenwich	10.23	1.63	14
Chariho	20.38	-8.50	-72
Foster Glocester	18.38	-6.51	-55
State	$14.25	$-2.38	-20

* Statewide property tax rate = $11.87/$1000

harmed by the proposal. The range is from an increase of 74 percent to a decrease of 72 percent with all but eight districts experiencing a decrease. The statewide average would result in a decrease of 20 percent, if the proposed plan were adopted.

The relief afforded the property tax rate is obviously expanded if the property-non-property ratio is lowered to 40-60, which was tried as Modification A. The results of this trial are incorporated into Table III. The average percentage decrease in property tax rates for education in the state is 50 percent under this modification. Under this modification the range is from a six percent increase to a decrease of 115 percent in effective tax rates.

Another possible comparison, which can be used to gauge the impact of change on each district, is to examine the change in the absolute amounts raised by the districts under the two plans. Tables IV and V present these data. From these tables the actual dollar savings (or increases) can be seen.

Modification A obviously results in increased savings for the average property taxpayer. All communities under this plan except Little Compton, Narragansett and New Shoreham have decreases in the amount from the property tax that must be raised for education. The savings range from $4,703,893 to $337,417.

TABLE III

Comparison of Effective Tax Rates for School Operations in School Districts under Present Plan and Proposed Statewide Funding (60-40 Sharing)

District	Effective Tax Rate 1970-71 (per $1000)	Difference Statewide * - 1970-71 Rate (per $1000)	Percent Difference
Barrington	$19.48	$- 9.98	-105
Bristol	16.96	- 7.46	- 79
Burrillville	15.12	- 5.62	- 59
Central Falls	11.41	- 1.91	- 20
Charlestown Elem.	17.87	- 8.37	- 88
Coventry	16.08	- 6.58	- 69
Cranston	15.87	- 6.37	- 67
Cumberland	14.27	- 4.77	- 50
East Greenwich	18.02	- 8.52	- 90
East Providence	14.87	- 5.37	- 57
Foster Elem.	16.86	- 7.36	- 77
Glocester Elem.	14.17	- 4.67	- 49
Hopkinton Elem.	12.20	- 2.70	- 28
Jamestown	10.91	- 1.41	- 15
Johnston	13.60	- 4.10	- 43
Lincoln	13.17	- 3.67	- 39
Little Compton	7.26	2.23	23
Middletown	14.26	- 4.76	- 50
Narragansett	9.36	.13	1
Newport	15.34	- 5.84	- 62
New Shoreham	3.05	6.44	68
North Kingstown	12.07	- 2.57	- 27
North Providence	15.95	- 6.45	- 68
North Smithfield	16.63	- 7.13	- 75
Pawtucket	12.34	- 2.84	- 30
Portsmouth	14.53	- 5.03	- 53
Providence	13.19	- 3.69	- 39
Richmond Elem.	11.14	- 1.64	- 17
Scituate	11.55	- 2.05	- 22
Smithfield	16.10	- 6.60	- 70
South Kingstown	14.28	- 4.78	- 50
Tiverton	15.20	- 5.70	- 60
Warren	12.93	- 3.43	- 36
Warwick	14.90	- 5.40	- 57
Westerly	14.02	- 4.52	- 48
West Warwick	13.98	- 4.48	- 47
Woonsocket	15.53	- 6.03	- 64
Exeter- W. Greenwich	10.23	- .73	- 8
Chariho	20.38	- 10.88	-115
Foster-Glocester	18.38	- 8.88	- 94
State	$14.25	$- 4.75	- 50

*Statewide property tax rate = $9.50/$1000

TABLE IV

Comparison of Revenues for Public School Operations from School Districts under Present System and Proposed Statewide Funding Plan (50-50 Sharing)

District	Expenditures from Local Revenues 1970-71 *	Statewide Property Tax Share *	Difference Statewide - 1970-71 Expenditure *	Percent Difference
Barrington	$ 3,135	$ 1,910	$- 1,225	-39
Bristol	2,011	1,408	- 603	-30
Burrillville	799	627	- 172	-21
Central Falls	792	824	32	4
Charlestown Elem.	264	175	- 89	-34
Coventry	2,287	1,688	- 599	-26
Cranston	8,448	6,319	- 2,129	-25
Cumberland	2,752	2,290	- 462	-17
East Greenwich	1,624	1,070	- 554	-34
East Providence	4,982	3,978	- 1,004	-20
Foster Elem.	150	106	- 44	-30
Glocester Elem.	228	191	- 37	-16
Hopkinton Elem.	364	354	- 10	- 3
Jamestown	370	403	33	9
Johnston	2,204	1,924	- 280	-13
Lincoln	1,810	1,631	- 179	-10
Little Compton	267	436	169	63
Middletown	1,604	1,335	- 269	-17
Narragansett	902	1,144	242	27
Newport	2,941	2,276	- 665	-23
New Shoreham	75	290	216	289
North Kingstown	2,039	2,004	- 34	- 2
North Providence	2,539	1,890	- 649	-26
North Smithfield	1,192	851	- 341	-29
Pawtucket	6,519	6,273	- 246	- 4
Portsmouth	1,696	1,385	- 311	-18
Providence	16,796	15,115	- 1,681	-10
Richmond Elem.	170	181	11	7
Scituate	999	1,027	28	3
Smithfield	1,498	1,105	- 393	-26
South Kingstown	1,910	1,588	- 322	-17
Tiverton	1,482	1,157	- 324	-22
Warren	937	861	- 77	- 8
Warwick	9,857	7,854	- 2,002	-20
Westerly	2,309	1,954	- 354	-15
West Warwick	1,988	1,689	- 300	-15
Woonsocket	3,367	2,573	- 794	-24
Exeter-W. Greenwich	337	391	54	16
Charlho	733	427	- 306	-42
Foster-Glocester	611	394	- 216	-35
State	$ 94,987	$79,099	$-15,888	-17

*Values expressed to nearest thousand dollars

TABLE V

Comparison of Revenues for Public School Operations from School Districts under Present System and Proposed Statewide Funding Plan (60-40 Sharing)

District	Expenditures from Local Revenues 1970-71 *	Statewide Property Tax Share *	Difference Statewide - 1970-71 Expenditure *	Percent Difference
Barrington	$ 3,135	$ 1,528	$- 1,607	-51
Bristol	2,011	1,126	- 885	-44
Burrillville	799	502	- 297	-37
Central Falls	792	659	- 133	-17
Charlestown Elem.	264	140	- 124	-47
Coventry	2,287	1,350	- 936	-41
Cranston	8,448	5,055	- 3,393	-40
Cumberland	2,752	1,832	- 920	-33
East Greenwich	1,624	856	- 768	-47
East Providence	4,982	3,182	- 1,800	-36
Foster Elem.	150	84	- 66	-44
Glocester Elem.	228	153	- 75	-33
Hopkinton Elem.	364	283	- 81	-22
Jamestown	370	322	- 48	-13
Johnston	2,204	1,539	- 665	-30
Lincoln	1,810	1,304	- 505	-28
Little Compton	267	349	82	31
Middletown	1,604	1,068	- 536	-33
Narragansett	902	915	13	1
Newport	2,941	1,821	- 1,120	-38
New Shoreham	75	232	158	211
North Kingstown	2,039	1,604	- 435	-21
North Providence	2,539	1,512	- 1,027	-40
North Smithfield	1,192	681	- 512	-43
Pawtucket	6,519	5,019	- 1,501	-23
Portsmouth	1,696	1,108	- 588	-35
Providence	16,796	12,092	- 4,704	-28
Richmond Elem.	170	145	- 25	-15
Scituate	999	822	- 177	-18
Smithfield	1,493	881	- 614	-41
South Kingstown	1,910	1,270	- 639	-33
Tiverton	1,482	926	- 556	-38
Warren	937	688	- 249	-27
Warwick	9,857	6,284	- 3,573	-36
Westerly	2,309	1,564	- 745	-32
West Warwick	1,988	1,351	- 637	-32
Woonsocket	3,367	2,058	- 1,308	-39
Exeter-W. Greenwich	337	313	- 24	- 7
Chariho	733	342	- 392	-53
Foster-Glocester	611	315	- 295	-48
State	$94,987	$63,279	$-31,708	-33

*Values expressed to nearest thousand dollars

EFFECT OF PROPOSED PLAN ON INDIVIDUAL FAMILIES

The question continually raised, and reasonably so, with any new plan is -- How does it effect the individual? To attempt to suggest some answers to this question, a standard family of four with one wage earner was chosen for illustrative purposes, assigned hypothetical income levels and property values, and the comparative effects of each plan were calculated. Consider again Community X with two separate families: one family has an annual income of $5,500 and property valued at $12,000, the second family's income is $12,000 and has property valued at $30,000. How these two families fare under the two plans in Community X is summarized in the table below.

Community X - Effect on Family

	Family I		Family II	
	$5,500 Income	$12,000 Property	$12,000 Income	$30,000 Property
Tax Revenue for Education with Present Plan	$41	$171	$191	$428
Tax Revenue with State-wide Funding	$62	$142	$287	$356
Difference between State-wide & Present Plans	$21	$-29	$96	$-72
Percent Difference	+34%	-20%	+34%	-20%
Total Difference	$-8		$24	
Total Percent Difference	-4%		4%	

From these figures it can be seen that the family with the lower income realizes a total reduction in taxes of four percent, while the family with an income of $12,000 must pay four percent more in taxes. For Community X, however, the absolute change in the tax payments for these two families is quite small ($8 savings in taxes and $24 increase in taxes).

Those examining these figures for the most part are not interested in the values for Community X, but would like to know just how the plan would effect the community in which they live. The situation of the family with a $5,500 income and $12,000 property was examined in the forty districts under the original plan (50-50 sharing) and the 60-40 sharing modification.

A summary of these finding is presented in Table VI for which the 50-50 sharing plan was used and in Table VII with the 60-40 division. For the original plan, in four of the seven illustrative communities, families realize a saving in taxes, while under the modification, in all but two communities families pay less total tax for education.

The possible income and property combinations are almost boundless, and only a very few have been examined. As any proposed plan begins to emerge in a more finished form, additional calculations on a greater range of hypothetical families and individuals will be developed, in order to answer the questions concerning the actual effects of the plan. It is important to stress, once again, that preliminarily it is the rationale and the merits of the plan which should be considered and evaluated. The concerns of the individual communities should be considered after a theoretically equitable plan has been developed.

TABLE VI

STATEWIDE FUNDING

EFFECT OF PROPOSED PLAN ON FAMILIES
IN SELECTED DISTRICTS**

Family of Four with One Wage Earner

Household Income = $ 5,500
Property Value = $12,000

Taxes for Education under Statewide Plan = $204

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Barrington	$ 275	$-71	-35%
Central Falls	178	26	13
Cumberland	212	- 8	- 4
Middletown	212	- 8	- 4
Providence	199	5	2
Scituate	180	24	12
Westerly	209	- 5	- 2

*Negative percentages indicate a decrease in taxes.

State-Local Ratio of Sharing 50:50.

**See Appendix for effect on all Rhode Island districts.

TABLE VII

STATEWIDE FUNDING
MODIFICATION A **

EFFECT OF PROPOSED PLAN ON FAMILIES
IN SELECTED DISTRICTS

Family of Four with One Wage Earner

Household Income = $ 5,500
Property Value = $12,000

Taxes for Education under Statewide Plan = $189

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Barrington	$ 275	-86	-46
Central Falls	178	11	6
Cumberland	212	-23	-12
Middletown	212	-23	-12
Providence	199	-10	-5
Scituate	180	9	5
Westerly	209	-20	-11

* Negative percentages indicate a decrease in taxes

** State-Local Ratio of Sharing = 60:40

ISSUES RELATED TO PROPOSAL

Now that the basic operation of the proposed plan has been clarified and the effects on the individual districts and the standard family have been presented, let us focus on the multitudinous issues which are raised by the proposal. The questions discussed herein are not intended to be exhaustive, but are germane to the central issue and will hopefully stimulate and advance the discussion. As the dialogue continues, these issues and many others must be resolved if a viable plan is to materialize.

The order in which the issues are listed does not indicate a setting of priorities, nor are the transitions from one issue to another necessarily logical.

Federal Participation in Funding Public School Education

In his State of the Union address on January 20, 1972, President Nixon described the problem of the dependency on the local property tax as the main source of financing public school education as one of national scope and urgency. His final recommendations for relieving the property tax will be forthcoming after both the President's Commission on School Finance and the Advisory Commission on Intergovernmental Relations make their reports.

Since public schools can not operate without funds, the funds no longer available because of any reduction in the property tax must come from another source. Several suggested sources of revenue from the federal government as alternates to the property tax include: higher federal income tax rates, new or expanded sales

taxes, and the value-added or "transactions" tax. Whatever replacement funds for the property tax are found from whatever sources, should be collected so as to reduce the burden on the poor and those on fixed incomes.

The basic premise of the federal plan, to relieve the property tax in favor of more progressive forms of taxation, is included in the Rhode Island plan. No conflict is envisioned between the concept of the Rhode Island proposal and increased provision by the federal government of unrestricted funds for education. Any federal funds made available to alleviate the strain on the property tax can easily be incorporated into the Rhode Island plan to be distributed as part of the allocation grants.

Perhaps before one becomes too optimistic about the possibility that a financial windfall from Washington will solve the property taxpayers concerns, one should be reminded that the taxpaying public is one and it may only be a question of how the tariff is extracted, not whether there will be a significant change in the absolute amount. Rhode Islanders should also be reminded that the state is only a bit better than average, and since any federal taxation for education presumably will be distributed according to need, the state stands a good chance of paying out under a federal plan more than would be returned.

Rather than viewing federal assistance as the panacea of the school financing problem, it should be viewed as a possibility for the future, and flexible provisions must be made so that any federal funds can be incorporated into the Rhode Island plan, when and if these funds become available.

Impacted Aid Funds

If the described plan were adopted, some adaptation would be necessary to compensate for federal funds granted to communities in lieu of property taxes on military installations. Since the statewide plan does not link the distribution grants to the funds raised within a district, districts with a high proportion of military related dependents would collect twice for these pupils-once from the state plan and once from the federal government. Thus, the military communities rank near the top in increases in expenditures under the proposal. Some method of equalizing the impacted aid funds received by these communities must be an integral part of the final proposal.

Leveling Effect

The fear expressed by many educators and parents, who are proud of the educational programs that have been developed in their schools, is that statewide funding will lead to statewide mediocrity. All states have some schools and districts in which education is revered, financial effort is high, and educational programs are exceptional. These places are referred to as lighthouse schools, because they often have a profound influence on the patterns of educational practice, which filter down to other less privileged schools. The argument has been advanced that these schools will be penalized if the spending level is suppressed, and that advancement in educational programs and techniques will be retarded.

Obviously one would not choose to forfeit the positive benefits provided by lighthouse schools, but in terms of equal opportunity the question remains of why the children of some highly motivated parents (as a rule found to be well-to-do rather than poor) should be given a distinct educational advantage. Should not the opportunity to participate in new and exciting programs, to have outstanding facilities, and to interact with exceptional teachers be available to all children at one time or another during their educational careers, rather than be the exclusive right of the educationally privileged? Leaving this basic question as food for thought, consider the following propositions which have been advanced as partial solutions.

Allowable Overspending

One suggestion, advanced by the President's Commission on School Finance, is to include a provision in statewide funding plans that local districts be permitted to add up to ten percent above the state allocation by increasing the district taxes. If the taxpayers are willing to vote the increased tax levy, the district's schools can reap the benefits. Districts in which taxpayer resistance is met would not be afforded the luxury of overspending. Doubt can be cast, however, on whether a plan of this type would meet the recent court decisions on equal educational opportunities.

A more palatable proposal from an equity point of view is the "power equalizing" plan. Under this plan, the annual allocation granted a district is related to the tax rate the district

taxpayers are willing to accept above the mandated minimum. All districts opting the same higher tax rate receive the same added grant per pupil. Wealthy districts under the plan raise revenues in excess of the added allocation which are distributed to poorer districts, where the additional rate is insufficient to raise the necessary funds. As a consequence of this plan, each district retains some control over the level of spending in the local schools (that is to an agreed upon maximum) and no district is restricted from choosing to overspend because of the limitations of the available tax base. Each district choosing a higher level of spending is accorded equal treatment, thus some equalization of extra spending is achieved.

Educational Improvement Fund

Another suggestion for fostering innovations in public education is to encourage lighthouse programs within schools, rather than lighthouse schools. The excitement evoked by new or trial developments thereby would infect a larger clientele. To finance such programs a special fund would be established to support projects which were selected on a competitive basis. School districts would be urged to assess the needs of their pupils and to write proposals for special programs deemed necessary to meet these needs, which could <u>not</u> be funded from the annual allocation. The analogy between this type of program and the federal Title III effort is obvious, and in many ways what is being suggested here is a state Title III program. The actual amount of money to be designated for this purpose, the selection method for projects, and the techniques

to be used to assure each community a fair chance in the competition would all need to be given careful consideration, if this suggestion were adopted.

Removal of Non-Educational Items and Services for the School Budget

Many of the goods and services now being included in the school budgets are essentially non-educational components. Under the present state aid formula, reimbursements are made for any expense which can reasonably be considered to contribute to the educational process, while some of these expenses may primarily be of a health or recreational nature. For example, school crossing guards, health services, food services, school athletics, and many other activities are often not an integral part of the learning environment. Many of these services could be funded from sources other than the school budget, if the communities wished to pay for them entirely from the city or town budget, thus freeing additional funds in the school budget for more educationally orientated pursuits.

Budgeted Spending

Perhaps the best advice to be offered to the districts on the question of how to manage on a state determined allocation is to suggest that judicial budgeting and spending are in order. Many have said that the golden days of education are over and the public schools are no longer going to be able to allow educational spending to rise unchecked. Limitations must be established and perhaps the time is now.

Local districts will have the advantage of having specific funds available for non-salary items, since the state will assume the total professional salary and benefit costs. Careful needs assessment, programs developed based on needs, program evaluation in terms of needs, in short the elements of any good financial management system must be implemented if one is to get the best return on the budgeted dollar.

The concept of good management extends to the establishing of the grant level by the state. Consideration must be given to the educational requirements of the students in Rhode Island and the associated cost of the programs adequate to meet these needs, before a level of spending can be reasonably set. Any other method of determining the extent to which funds should be allocated indicates a reversal in priorities in that other considerations are given preference over the needs of the students. What is suggested here is not unlimited spending but rather that the consideration of needs and the establishment of goals precede the actual determination of the dollar amounts.

Phasing Process

Referring back to Table I highlights another problem that must be resolved--the adjustment of the individual districts to different spending levels. From the table it is clear that 32 districts would have increased funds for operations and 3 would have less money to spend, while 5 districts would essentially remain unchanged (0 to 2 percent change).

Each district with a sizeable change is faced with the problem of how either to spend the additional resources or how to live with less, either of which could present a problem.

A period for gradual transition from the present system to the new would provide the time necessary to work out the formula for change. To minimize the effects of the conversion, a transition period of five years is a possibility. Within this time-frame the present system would be gradually phased out and be replaced by the statewide funding program. Both plans would be in operation simultaneous with the percentage of the actual allocation shifted from one plan to the other during the five year period. A tentative scheme for the phasing period:

Year	% of Grant from State Aid Formula	% of Grant from Statewide Funding Plan
0	100	0
1	90	10
2	75	25
3	50	50
4	15	85
5	0	100

The problem of the dual calculation required to determine the allocation due a district would be minor compared to the advantages accruing from the gradual transfer from one plan to the other.

Standard Fiscal Year

Conversion to a statewide funding program raises the problem of the incongruity in the annual fiscal periods used by the cities

and towns in Rhode Island. The establishment of equivalent fiscal years, at least on paper, would be an essential requirement for any statewide plan. Communities, if subjected to a statewide property tax rate for education, must anually assess and tax property during the same period and tax revenues for education must be collected at the same time.

The best solution to this problem would seem to be the establishment of a standard fiscal year for all the communities in the state. The five year phasing period might also be used to phase communities not now using the common fiscal year calendar into this pattern.

Assuming that statewide funding is the plan of the future, a significantly large measure of work must be done to discover the best methods to convert from the present diverse methods of setting the school budgets, collecting the revenues, and spending the monies to a viable uniform system.

Professional Salaries

Many of the inherent problems of converting to a single professional salary and benefit plans were raised in the Teacher Salary Study, but some other problems are foreseen if the uniform salary scheme is incorporated into the statewide funding plan. As the state becomes the provider of all the required revenue to pay professional salaries, the temptation may arise for local districts to drastically reduce the pupil-teacher ratio. Some restraints will probably be necessary, such as the setting of a state regulation on minimum ratios, to guarantee that this does not happen.

Since decision making is to be retained, in so far as possible, at the local level, school superintendents would not be restricted on the deployment of teachers within the schools. The minimum ratios would simply be used to determine the number of teachers due a district. For instance, assume for the purpose of discussion that the pupil-teacher ratio were set at 25:1. A district with 4,926 pupils would be allowed to hire 197 classroom teachers to be placed according to the demands of the program. Specialized personnel such as librarians, guidance personnel, special area teachers, etc. would be assigned in the same way. Cases in which the number of students is insufficient to justify a teacher, but a perceived need exists, would be reviewed by state department and district personnel until an amicable agreement was reached.

Knowledgeable Involvement

The issue that should clearly emerge from this discourse is the overwhelming need for the mobilization of the best talent in Rhode Island to work toward the formulation of an improved plan for financing public school education. The problems raised here are miniscule compared to the actual ones which will surface as statewide funding is accorded serious attention. The establishment of a task force, knowledgeable in concerns of school financing, should be instigated to help raise and resolve these problems. Participation of the required level will be time consuming and at times tedious, but the final reward hopefully will be the development of an improved plan for all Rhode Islanders.

A P P E N D I X

TABLE A

EFFECT OF PROPOSED PLAN ON FAMILIES
IN RHODE ISLAND DISTRICTS

Family of Four with One Wage Earner

Family I

Household Income = $ 5,500
Property Value = $12,000

Taxes for Education under Statewide Plan = $204

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Barrington	$275	-71	-35%
Bristol	245	-41	-20
Burrillville	222	-18	-09
Central Falls	178	+26	+13
Charlestown	255	-51	-25
Coventry	234	-30	-15
Cranston	231	-27	-13
Cumberland	212	- 8	-04
East Greenwich	257	-53	-26
East Providence	219	-15	-07
Foster	243	-39	-19
Glocester	211	- 7	-03

TABLE A

(Continued)

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Hopkinton	$187	+17	+08
Jamestown	172	+32	+16
Johnston	204	0	00
Lincoln	199	+ 5	+02
Little Compton	128	+76	+37
Middletown	212	-08	-04
Narragansett	153	+51	+25
Newport	225	-21	-10
New Shoreham	78	+126	+62
North Kingstown	186	+18	+09
North Providence	232	-28	-14
North Smithfield	241	-37	-17
Pawtucket	189	+15	+07
Portsmouth	215	-11	-05
Providence	199	+ 5	+02
Richmond	175	+29	+14
Scituate	180	+24	+12
Smithfield	234	-30	-15
South Kingstown	212	-8	-04
Tiverton	223	-19	-09

TABLE A

(Continued)

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Warren	$196	+8	+04
Warwick	220	-16	-08
Westerly	209	-5	-02
West Warwick	209	-5	-02
Woonsocket	227	-23	-11
Exeter-W. Greenwich	164	+40	+20
Chariho	286	-82	-40
Foster-Glocester	262	-58	-28

*Negative percentages indicate a decrease in taxes.

State-Local Ratio of Sharing 50:50.

TABLE B

EFFECT OF PROPOSED PLAN ON FAMILIES
IN RHODE ISLAND DISTRICTS

Family of Four with One Wage Earner

Family II

Household Income = $12,000
Property Value = $30,000

Taxes for Education under Statewide Plan = $643

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Barrington	$775	-132	-21
Bristol	700	-7	-09
Burrillville	645	-2	00
Central Falls	533	+110	+17
Charlestown	727	-84	-13
Coventry	673	-30	-05
Cranston	667	-34	-04
Cumberland	619	+24	+04
East Greenwich	732	-89	-14
East Providence	637	+6	+01
Foster	697	-54	-08
Glocester	616	+27	+04
Hopkinton	557	+96	+13
Jamestown	518	+125	+20

TABLE B

(Continued)

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Johnston	$599	+44	+07
Lincoln	586	+57	+09
Little Compton	409	+234	+36
Middletown	619	+26	+04
Narragansett	472	+171	+27
Newport	651	- 8	-01
New Shoreham	283	+360	+56
North Kingstown	553	+84	+14
North Providence	670	-27	-04
North Smithfield	690	-47	-07
Pawtucket	561	+82	+13
Portsmouth	627	+16	+03
Providence	587	+56	+09
Richmond	525	+118	+18
Scituate	538	+105	+16
Smithfield	674	-31	-05
South Kingstown	619	+24	+04
Tiverton	647	+04	+01
Warren	579	+64	+10
Warwick	638	+ 5	+01

TABLE B

(Continued)

District	Combined Taxes for Education 1970-71	Difference - Statewide & 1970-71 Plans	Percent Difference *
Westerly	$612	+31	+05
West Warwick	610	+33	+05
Woonsocket	657	-14	-02
Exeter-W. Greenwich	498	+144	+23
Chariho	802	-159	-25
Foster-Glocester	742	-99	-15

*Negative percentages indicate a decrease in taxes.

State-Local Ratio of Sharing 50:50.